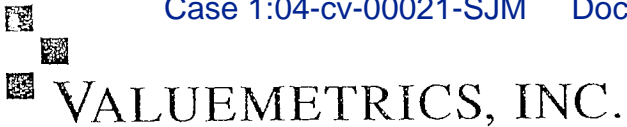


Exhibit D
December 14, 1998 Letter from
Valuometrics, Inc. to Messrs. Clark and Cashman



December 14, 1998

Mr. E. Roger Clark – Chief Executive Officer
Mr. Maurice Cashman – Chief Financial Officer
National Forge Company Holdings, Inc.
One Front Street
Irvine, PA 16329

Re: Summary of findings on the analysis of an S-Corp conversion

Dear Sirs:

Valuemetrix, Inc. was retained by National Forge Company Holdings, Inc. (“NatForge” or the “Company”) to perform an analysis of the effect of the Company’s conversion to an S-Corporation that will be 100% ESOP-owned (the “Transaction”) on the NatForge stock price.

Our study is motivated by the recent change in the Federal Tax Law that allows an ESOP, a tax-exempt trust to become a shareholder in an S Corporation. According to this new ruling, an entity that is 100% owned by an ESOP is fully exempt from corporate federal income taxes.

As explained to us, the proposed transaction would include:

- the purchase of shares held by the non-ESOP shareholders using the proceeds of an increase in external debt and using existing cash
- a conversion from LIFO to FIFO inventory accounting
- the elimination of a forecasted tax benefit associated with a \$300,000 annual increase in LIFO reserve
- the realization of a taxable gain of \$2,200,000 on inventory due to LIFO conversion
- a special non-cash charge of \$8,677,000 for the write-off of Deferred Tax Asset offset by the Deferred Tax Liability and a write-off of Book Inventory
- the election of a change of tax status from a C Corporation to a S Corporation

We relied on the Discounted Cash Flow Methodology to determine the Fair Market Value of the Company’s shares in this analysis consistent with our historical approach to the valuation of the Company’s shares described in the ESOP Valuation Report dated October 13, 1998, which described our valuation of the Company’s shares at Fiscal Year End 6/30/98.

National Forge Company Holdings, Inc.
 Analysis of conversion to a S Corporation
 December 14, 1998

We compared the effects of the transaction on the per share price as of June 30, 1998 and at the end of each year of the projection period ending June 30, 2002 under the following assumptions:

- The Company remains a C Corporation
- The Company changes its tax status to an S Corporation

In all cases, the underlying forecast relied upon in this study is consistent with the forecast used in the ESOP Valuation report as of October 13, 1998, except for the changes resulting from the transaction described above.

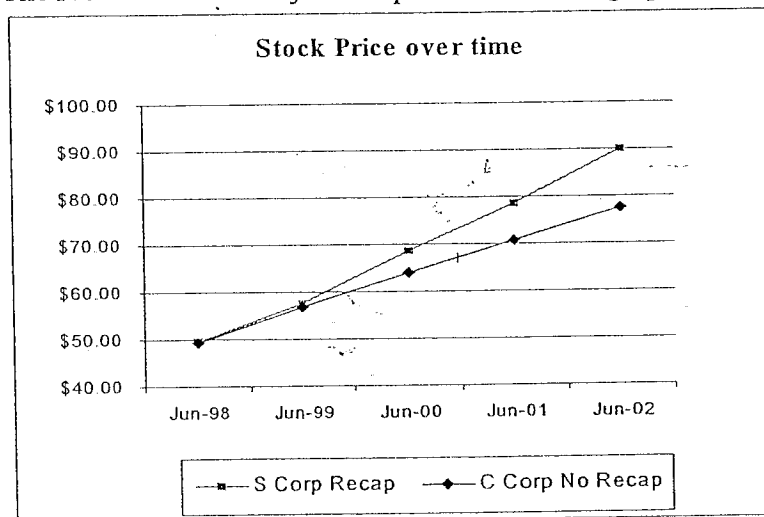
It is Valuemetrics' position that a Fair Market Value Standard requires valuation practitioners to value an S Corporation as a C Corporation. Since a hypothetical buyer may not be able to have NatForge retain its S Corporation status, we therefore have treated the Company as a C corporation for valuation purposes. The imputed tax rate used in this valuation is 39 percent. This is consistent with our 6/30/98 valuation.

In addition, included in the valuation is the excess cash defined as the cash balance less \$500,000. The excess cash balance at the end of each forecast year reflects the cumulative cash saved by not paying taxes. Hence, the value of an S Corporation is always higher by the amount of cash that builds up as a result of not paying taxes.

Consistent with the Fair Market Value Standard, the cash savings resulting from not paying taxes in the future years were not discounted and added to the present value of the Company.

Valuation treating S Corporation as a C Corporation

The results of our analysis are presented in the graph below:



	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
C Corp No Recap	\$49.42	\$56.74	\$64.01	\$70.71	\$77.64
S Corp Recap	\$49.51	\$57.48	\$68.59	\$78.74	\$89.97

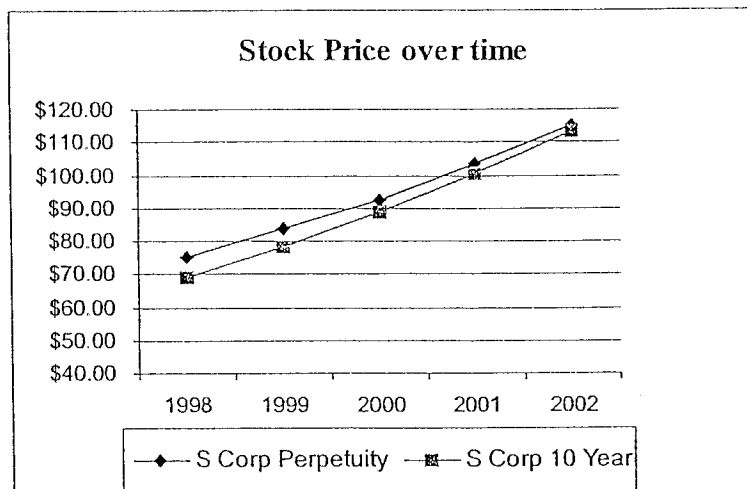
National Forge Company Holdings, Inc.
 Analysis of conversion to a S Corporation
 December 14, 1998

Please refer to Exhibits A and B for detailed calculations.

Based upon our analysis, the projected stock price of an S Corporation exceeds that of a C Corporation at the end of each projection period.

Valuation capitalizing S Corporation tax savings

In addition, you have asked us to calculate a hypothetical value per share of the Company's stock capitalizing the cash savings accumulated at the Company as a result of not paying taxes as an S Corporation for 10 years as well as into perpetuity. The results of our findings are summarized in the following chart.



	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
S Corp Perpetuity	\$74.82	\$83.45	\$92.57	\$103.22	\$115.21
S Corp 10 Year	\$68.76	\$78.27	\$88.37	\$100.14	\$113.40

Please refer to Exhibits C and D for detailed calculations.

The analysis above results in higher projected prices per share are higher than the prices under a Fair Market Value Definition described in the previous section, however, Valumetrics does not believe that this valuation of approach is appropriate.

Please call us with any questions.

Cordially,

Valumetrics
 Valumetrics, Inc,

**Exhibit A: Standard ESOP Valuation - Fair Market Value
C Corporation**

National Forge Company Holdings, Incorporated

Projected Performance

		12 Months													
	Jun-96	Jun-97	Jun-98	Assumptions											
Income Statement Assumptions															
	11.6%	(1.1%)	(0.2%)	Revenue Growth				8.0%	(0.8%)	2.1%	2.8%	4.3%	4.5%		
	81.6%	79.5%	81.6%	Historical COGS as a % of Rev											
	18.4%	20.5%	18.4%	Historical Gross Profit Margin											
	\$0	\$0	\$0	Historical Adj to COGS (in \$)											
	81.6%	79.5%	81.6%	Going-forward COGS as a % of Rev				80.0%	80.8%	78.2%	78.8%	78.9%	78.9%		
	18.4%	20.5%	18.4%	Going-forward Gross Profit margin				20.0%	19.2%	21.8%	21.2%	21.1%	21.1%		
	10.2%	10.9%	10.4%	Historical SGA as a % of Rev (b4 Depr)											
	\$0	\$0	\$0	Historical Adj to SGA (in \$)											
	10.2%	10.9%	10.4%	Going-forward SGA % of Rev. (b4 Depr)				11.0%	11.1%	10.7%	10.6%	10.3%	10.1%		
	33.6%	36.4%	37.7%	Tax Rate				39.0%	39.0%	39.0%	39.0%	39.0%	39.0%		
	\$2,998	\$3,187	\$4,700	Total Depr. (from schedule or input)				\$2,897	\$3,122	\$3,363	\$3,637	\$3,912	\$3,912		
	\$0	\$0	\$0	Amortization				\$ 1,065	\$ 1,065	\$ 1,057	\$ 1,057	\$ 1,057	\$ 1,057		
				Avg Depreciable Life (Future)				10 Years	Avg Depreciable Life (Hist)	10 Years	10 Years	10 Years	10 Years		
Balance Sheet Assumptions															
	\$600	\$3,341	\$6,330	Cash				Residual Account							
	7.8	5.7	5.8	Avg A/R Turns (Sales/Avg A/R)				5.6	5.5	5.6	5.6	5.7	5.7		
	5.0	6.7	5.2	A/R Turnover (Sales/A/R)				5.5	5.6	5.6	5.5	5.5	5.5		
	3.5	3.6	3.8	Avg Inventory Turns (COGS/Avg Inv)				4.1	3.9	3.8	4.0	4.1	4.2		
	3.7	3.7	3.9	Inventory Turns (COGS/Inv)				4.0	3.8	3.9	4.0	4.1	4.1		
	0.1%	0.8%	0.9%	Other CA				Fixed at LTM \$ amount							
	\$3,274	\$5,074	\$4,129	Capital Expenditures				\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611		
	OK	OK	OK	Error Message for CapEx				The Historical CapEx is calc'd based on "Total Depr (from COGS & SGA detail)" above							
	3.7%	5.8%	4.7%	Cap Ex as a % of Revenues				4.8%	4.9%	4.8%	4.6%	4.5%	4.3%		
	0.3	0.3	0.3	Fixed Assets/Rev.				0.3	0.3	0.3	0.3	0.3	0.3		
	\$0	\$0	\$0	Investments & Advances - Eq. Method				Fixed at LTM \$ amount							
	\$0	\$0	\$0	Investments & Advances - Other				Fixed at LTM \$ amount							
	\$4,820	\$4,619	\$10,373	Intangibles				Fixed at LTM \$ amount							
	\$7,259	\$6,443	\$6,235	Deferred Charges				Fixed at LTM \$ amount							
	\$11,004	\$10,463	\$9,837	Other Assets				Fixed at LTM \$ amount							
	11.8	13.9	13.1	Avg. A/P Turns (COGS/Avg A/P)				12.8	14.0	13.9	13.9	14.0	14.1		
	13.4	15.2	11.3	A/P Turns (COGS/AP)				13.9	14.2	13.8	13.6	13.8	13.8		
	\$864	\$0	\$369	Income Taxes Payable				25% of Current Years Taxes (default), or can change to \$0 or keep constant							
	\$7,696	\$8,333	\$9,355	Other Current Liabilities				Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets							
	\$31,163	\$32,119	\$33,010	Other Liabilities				Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets							
	\$0	\$0	\$0	Deferred Taxes				Fixed at LTM \$ amount							
	\$2,079	\$1,278	\$0	Minority Interest				Fixed at LTM \$ amount							
	1.9	2.0	1.8	Current Ratio				2.2	2.3	2.3	2.8	3.4	3.8		
	2.7	2.8	2.6	Current Ratio (excl. Cur. Debt)				3.1	3.2	3.1	3.1	3.4	3.8		
	\$11,088	\$16,688	\$17,438	Pfd. Common, & Capital Surplus				Fixed at LTM \$ amount							
				Retained Earnings				Last Year (not LTM) + NI of Current year							
Valuation Assumptions															
				Perpetuity Growth Rate				4.5%		LTM Inflation	4.0%		Implied Real Growth		
				Discount Rate				13.6%		WACC or APV?	APV		Trans		
				% of 1st Year's CF to include				100%		DLOM	5.0%		Costs Amortiz		
				Pre-Transaction Debt				\$29,519		Minority Discount	0.0%		% of Trans CF		
	\$22,847	\$15,207	\$29,519												

\$56,868
\$37,730

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12/14/98

National Forge Company Holdings, Incorporated

Projected Performance

		12 Months								
		Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	
BALANCE SHEET										
ASSETS										
Cash & Short Term Investments	\$5,341	\$6,330	\$6,402	\$6,440	\$5,958	\$5,403	\$8,624	\$13,808		
Restricted Escrow	\$182	\$182	901	1,622	2,342	3,063	3,784	4,505		
Accounts Receivable	13,189	16,887	17,176	16,852	17,281	17,828	18,630	19,468		
Inventory	18,979	18,376	18,893	19,896	19,331	19,597	19,933	20,830		
Other Current Assets	703	777	936	922	914	932	925	925		
Total Current Assets	\$36,212	\$42,552	\$44,308	\$45,732	\$45,826	\$46,823	\$51,896	\$59,537		
Property, Plant & Equipment - Net	\$25,559	\$27,757	\$29,450	\$30,910	\$32,141	\$33,076	\$33,775	\$34,474		
Investments & Advances - Eq. Method	0	0	0	0	0	0	0	0		
Investments & Advances - Other	0	0	0	0	0	0	0	0		
Intangibles	4,619	10,373	9,808	9,257	8,706	8,156	7,605	7,054		
Deferred Charges	6,443	6,235	6,445	6,445	6,445	6,445	6,445	6,445		
Other Assets	10,463	9,837	9,742	9,430	9,150	8,891	8,656	8,656		
Total Assets	\$83,296	\$96,754	\$99,753	\$101,774	\$102,268	\$103,391	\$108,377	\$116,166		
LIABILITIES										
Debt in Current Liabilities	\$5,646	\$7,249	\$6,337	\$5,630	\$5,352	\$1,740	\$54	\$0		
Accounts Payable	4,589	6,363	5,467	5,354	5,452	5,736	5,878	6,143		
Income Taxes Payable	0	369	179	240	380	605	743	743		
Other Current Liabilities	8,333	9,355	8,470	8,749	8,752	8,757	8,753	8,753		
Total Current Liabilities	\$18,568	\$23,336	\$20,453	\$19,973	\$19,936	\$16,838	\$15,428	\$15,639		
Post Retirement Health Benefit Obligations	32,119	33,010	33,029	33,828	34,586	35,298	35,954	35,954		
Total Long Term Debt	9,561	22,270	19,311	13,787	8,214	6,231	5,978	5,778		
Deferred Taxes	0	0	409	409	409	409	409	409		
Post Retirement Pension Obligations	1,278	0	363	213	63	0	0	0		
Total Liabilities	\$61,526	\$78,616	\$73,565	\$68,210	\$63,208	\$58,776	\$57,769	\$57,780		
Preferred Stock	\$3,500	\$0	0	0	0	0	0	\$0		
Common Stock	3	5	8	9	9	9	9	9		
Capital Surplus	13,185	17,433	22,978	28,237	29,737	31,237	32,737	32,737		
Retained Earnings	5,282	1,333	4,561	7,601	13,415	19,402	26,030	33,808		
Less Treasury Stock, Contra Equity	(200)	(633)	(1,359)	(2,283)	(4,101)	(6,033)	(8,168)	(8,168)		
Total Equities	\$21,770	\$18,138	\$26,188	\$33,564	\$39,060	\$44,615	\$50,608	\$58,386		
Total Liabilities & Equities	\$83,296	\$96,754	\$99,753	\$101,774	\$102,268	\$103,391	\$108,377	\$116,166		

12/14/98

National Forge Compar Holdings, Incorporated

Projected Performance

	12 Months								
	Jun-96	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
INCOME STATEMENT									
Net Sales	\$87,801	\$87,947	\$87,801	\$94,821	\$94,099	\$96,061	\$98,780	\$103,028	\$107,664
Cost of Goods Sold (including COGS Depr)	71,634	69,932	71,634	75,895	75,994	75,126	77,806	81,311	84,970
Gross Profit	\$16,167	\$18,015	\$16,167	\$18,926	\$18,105	\$20,935	\$20,974	\$21,717	\$22,694
SGA (Excl. Depr & Amort)	\$9,125	\$9,622	\$9,125	\$10,455	\$10,450	\$10,264	\$10,429	\$10,585	\$10,905
SGA D&A (Incl. Financing Costs Amort.)	0	0	0	0	0	0	0	0	0
Operating Income after Deprec.	\$7,042	\$8,393	\$7,042	\$8,471	\$7,655	\$10,671	\$10,545	\$11,132	\$11,790
Other Expense (incl. Fin & Other Amort)	\$(1,057)	\$(875)	\$(1,057)	\$ (1,304)	\$ (1,372)	\$ (885)	\$ (856)	\$ (827)	\$ -
Interest Income (NF Components)	0	0	0	10	22	32	42	52	52
Interest (Expense)	(1,958)	(2,224)	(1,958)	(2,525)	(1,982)	(1,465)	(966)	(664)	(468)
Special Item Income (Expense)	0	0	0	0	0	0	0	0	0
Pretax Income	\$4,027	\$5,294	\$4,027	\$4,652	\$4,323	\$8,353	\$8,765	\$9,693	\$11,374
Income Tax	1,519	1,928	1,519	(1,424)	(1,283)	(2,539)	(2,778)	(3,065)	(3,597)
Net Income before E&D	\$2,513	\$3,366	\$2,513	\$3,228	\$3,040	\$5,814	\$5,987	\$6,628	\$7,778
Extra. Income (Expense) & Disc. Operation	—	0	(723)	0	0	0	0	0	0
Net Income after E&D	\$1,790	\$3,366	\$1,790	\$3,228	\$3,040	\$5,814	\$5,987	\$6,628	\$7,778
Preferred Dividends	268	350	268	0	0	0	0	0	0
Net Income to Common	\$1,522	\$3,016	\$1,522	\$3,228	\$3,040	\$5,814	\$5,987	\$6,628	\$7,778

National Forge Company Holdings, Incorporated

Projected Performance

12 Months	CASH STATEMENT BY ACTIVITY					
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
<i>Operating Activity</i>						
Working Capital (Uses)						
Deer (Incr) in Acct. Rec.	(\$289)	\$324	(\$429)	(\$547)	(\$802)	(\$838)
Deer (Incr) in Escrow	(719)	(721)	(720)	(721)	(721)	(721)
Deer (Incr) in Inventory	(517)	(1,003)	565	(266)	(336)	(897)
Deer (Incr) in Other CA	(159)	14	8	(18)	7	0
Deer (Incr) in Invest./Advances-Equity	0	0	0	0	0	0
(Deer) Incr in Invest and Goodwill	(565)	(551)	(551)	(550)	(551)	(551)
Deer (Incr) in Deferred Charges	(210)	0	0	0	0	0
Deer (Incr) in Other LT Assets	95	312	280	259	235	0
Incr (Deer) in Acct. Payable	(896)	(113)	98	284	142	265
Incr (Deer) in Taxes Payable	(190)	61	140	225	138	0
Incr (Deer) in Other Current Liab.	(885)	279	3	5	(4)	0
Pension Liability Increase	382	649	608	649	656	0
Other	446	37	45	43	45	1,102
Total WC (Uses)	(\$3,507)	(\$712)	\$47	(\$637)	(\$1,191)	(\$1,641)
Net Income (Loss)	\$3,228	\$3,040	\$5,814	\$5,987	\$6,628	\$7,778
Depreciation & Amort.	3,962	4,187	4,420	4,694	4,969	3,912
Net Cash From Operations	\$3,683	\$6,515	\$10,281	\$10,044	\$10,406	\$10,049
<i>Investment Activity</i>						
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)	(4,611)
<i>Financing Activities</i>						
Less Purchase of Treasury Stock (ESOP R)	(726)	(924)	(1,818)	(1,932)	(2,135)	0
Less Purchase Com. & Pref. Stock	5,548	5,260	1,500	1,500	1,500	0
Less Cash Dividends	0	0	0	0	0	0
Long-Term Debt Issuance	(2,959)	(5,524)	(5,573)	(1,983)	(253)	(200)
Current Debt Change	(912)	(707)	(278)	(3,612)	(1,686)	(54)
Other Financial Activity Cash Sources (Us	28	0	0	0	0	0
Net Cash Incr (Deer) from Financing	\$979	(\$1,895)	(\$6,169)	(\$6,027)	(\$2,574)	(\$254)
Cash and Equiv. Incr (Deer)	72	38	(482)	(555)	3,221	5,184
Change in Cash Balances	72	38	(482)	(555)	3,221	5,184

National Forge Company Holdings, Incorporated

Projected Performance

	12 Months					Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	
CASH FLOWS						
Operating Income	\$7,886	\$7,070	\$10,086	\$9,960	\$10,547	\$11,790
Plus ESOP Contrib. incl. as Op. Exp.	5,545	5,259	1,500	1,500	1,500	0
Op. Inc. + ESOP Contrib.	\$13,431	\$12,329	\$11,586	\$11,460	\$12,047	\$11,790
Less Taxes on Op. Inc. + ESOP Contrib.	(5,238)	(4,808)	(4,519)	(4,469)	(4,698)	(4,598)
Plus Depreciation & Amortization	3,962	4,187	4,420	4,694	4,969	4,969
LIFO charge Add-back	300	300	300	300	300	300
Working Capital (Uses)	(3,402)	(1,037)	47	(637)	(1,191)	(1,641)
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)	(4,611)
Net Cash Flow	\$4,463	\$6,389	\$7,240	\$6,776	\$6,816	\$6,209
% of CF realized after 06/30/98	100%	100%	100%	100%	100%	100%
Cash Flow Applied to NPV	\$4,463	\$6,389	\$7,240	\$6,776	\$6,816	\$6,209
RESIDUAL VALUE						
Residual Value, assuming 4.5% long term growth of cash flows					Implied EBIT Multiple 5.2	CapFactor
UNLEVERAGED FIRM VALUE						
Unlev. Operating Free Cash Flow	\$4,463	\$6,389	\$7,240	\$6,776	\$6,816	
Residual Value	60,395	62,195	63,387	65,206	67,230	
Total Cash Flows ^{***}	\$64,858	\$68,584	\$70,628	\$71,981	\$74,046	
Unleveraged Cost of Equity	13.6%	13.6%	13.6%	13.6%	13.6%	
Unleveraged Firm Value (Jun-98)	\$56,868	\$60,395	\$62,195	\$63,387	\$65,206	
TAX SHIELD VALUE FROM DEBT & ESOP IN CAPITAL STRUCTURE						
Pretax Income	\$4,652	\$4,323	\$8,353	\$8,765	\$9,693	\$11,374
Pre-Transaction ESOP Principal	5,545	5,259	1,500	1,500	1,500	0
Interest Expense	2,525	1,982	1,465	966	664	468
Pretax Unleveraged Income	\$12,722	\$11,564	\$11,318	\$11,231	\$11,857	\$11,842
Pretax Income (Leveraged)	4,652	4,323	8,353	8,765	9,693	11,374
Tax on Unleveraged Pretax Income	\$4,962	\$4,510	\$4,414	\$4,380	\$4,624	\$4,618
Tax on Leveraged Pretax Income	1,814	1,686	3,258	3,418	3,780	4,436
Tax Savings due to Interest + ESOP	\$3,147	\$2,824	\$1,156	\$962	\$844	\$182
NPV of Tax Shield (13.6% rate)	\$6,845	4,548	2,340	1,501	743	

National Forge Company Holdings, Incorporated

SUMMARY	Projected Performance			
	Jun-98	Jun-99	Jun-00	Jun-01
Unleveraged Firm Value	\$56,868	\$60,395	\$62,195	\$63,387
PV of Interest & ESOP Tax Shield	6,845	4,548	2,340	1,501
PV Mitchell NOL, Unlevered	175	0	0	0
Market Capital Value	\$63,888	\$64,943	\$64,535	\$64,888
Less: Capital Debt	(\$29,519)	(\$24,543)	(\$18,206)	(\$12,576)
Less: Tax Adjusted SAR Value	(\$725)	(\$954)	(\$1,077)	(\$1,194)
Plus: Excess Cash	\$6,080	\$6,152	\$6,190	\$5,708
Total Mkt. Control Equity Value	\$39,720	\$45,600	\$51,440	\$56,830
Marketability Discount (5.0%)	(1,990)	(2,280)	(2,570)	(2,840)
Control Equity Value	\$37,730	\$43,320	\$48,870	\$53,990
(after Marketability Discount)				
Shares Outstanding	763	763	763	763
Per Share Value	49.42	56.74	64.01	70.71
				77.64

National Forge Company Holdings[®] Incorporated

Projected Performance

	12 Months				Term (Yrs Remaining)		
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	7	7
DEBT AMORTIZATION							
Total Debt	\$29,519						
Sum of Debt below	\$29,597						
NF Europe							
Beginning Balance	\$5,430	\$5,430				\$5,430	\$5,430
Principal Payment (Borrowing)	0	0				0	0
Interest Payment	495	474				458	425
Ending balance	5,430	5,430				5,430	5,430
Total P&I	\$495	\$474				\$458	\$425
Chase Term Loan							
Beginning Balance	\$21,411	\$17,591				\$11,586	\$1,304
Principal Payment (Borrowing)	3,820	6,005				5,476	1,304
Prepayment	0	0				0	0
Interest Payment	1,818	1,296				815	377
Ending balance	17,591	11,586				6,110	1,304
Total P&I	\$5,638	\$7,301				\$6,291	\$1,426
MELF							
Beginning Balance	\$348	\$267				\$182	\$0
Principal Payment (Borrowing)	81	85				89	93
Prepayment	0	0				0	0
Interest Payment	14	10				6	2
Ending balance	267	182				93	0
Total P&I	\$95	\$95				\$95	\$0
Pipeline & Capital Leases							
Beginning Balance	\$113	\$0				\$0	\$0
Principal Payment (Borrowing)	113	0				0	0
Prepayment	0	0				0	0
Interest Payment	6	0				0	0
Ending balance	0	0				0	0
Total P&I	\$119	\$0				\$0	\$0
MS Overdraft Reserve							
Beginning Balance	\$718	\$555				\$152	\$74
Principal Payment (Borrowing)	163	403				3	75
Prepayment	0	0				0	0
Interest Payment	45	25				11	8
Ending balance	555	152				149	74
Total P&I	\$208	\$428				\$14	\$83

National Forge Company Holdings, Incorporated

	NA Int. Rate	2	Projected Performance Term (Yrs Remaining)
NW Forgemasters Overdraft			
Beginning Balance	\$422	\$856	\$794 \$416
Principal Payment (Borrowing)	(180)	62	378 362
Prepayment	0	0	0 0
Interest Payment	44	58	51 63
Ending balance	602	856	416 54
Total P&I	(\$136)	(\$196)	\$126 \$425

	9.5% Int. Rate	2	Term (Yrs Remaining)
MS Capital Equipment Lease			
Beginning Balance	\$380	\$98	\$0 \$0
Principal Payment (Borrowing)	282	98	0 0
Prepayment	0	0	0 0
Interest Payment	23	5	0 0
Ending balance	98	0	0 0
Total P&I	\$305	\$103	\$0 \$0

	NA Int. Rate	7	Term (Yrs Remaining)
MS Capital Equipment Loan			
Beginning Balance	\$775	\$1,211	\$990 \$747
Principal Payment (Borrowing)	(330)	221	243 199
Interest Payment	81	115	86 51
-Ending balance	1,105	1,211	990 747 548
Total P&I	(\$249)	\$9	\$332 \$250

	9.1% Avg Int Rate	7.49480881	Avg Term (Yrs Remaining)
Total Debt			
Beginning Balance	\$29,597	\$19,417	\$13,566 \$7,971
Principal Payment (Borrowing)	\$3,949	\$5,630	\$5,352 \$1,740
Prepayment	\$0	\$0	\$0 \$0
Interest Payment	\$2,525	\$1,982	\$1,465 \$664
Ending balance	25,648	19,311	13,787 8,214 6,231
Total P&I	\$5,852	\$7,396	\$6,386 \$5,278 \$1,426

Short Term Debt	6,337	5,630	5,352	1,740	54
Long Term Debt	19,311	13,787	8,214	6,231	5,978

National Forge Company Holdings, Incorporated

Projected Performance

12 Months	DEPRECIATION SCHEDULE					Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	
	\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611
Capital Expenditures Req'd.						
Total Depreciation on New Assets	\$459	\$917	\$1,377	\$1,834	\$2,295	\$2,756
Depreciation on Existing Assets	3,740	3,325	2,909	2,494	2,078	1,663
Total Depreciation Expense	\$ 2,897	\$ 3,122	\$ 3,363	\$ 3,637	\$ 3,912	\$4,419
Beginning Fixed Assets	\$27,757	\$29,450	\$30,910	\$32,141	\$33,076	\$33,775
Less: Depr. (see Assumptions page)	(2,897)	(3,122)	(3,363)	(3,637)	(3,912)	(3,912)
Plus: Capital Exp.	4,590	4,582	4,594	4,572	4,611	4,611
Ending Fixed Assets	\$29,450	\$30,910	\$32,141	\$33,076	\$33,775	\$34,474

**Exhibit B: Standard ESOP Valuation – Fair Market Value
S Corporation**

National Forge Company Holdings, Incorporated

Projected Performance

12 Months										
Jun-96	Jun-97	Jun-98	Assumptions	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	
Income Statement Assumptions										
11.6%	(1.1%)	(0.2%)	Revenue Growth		8.0%	(0.8%)	2.1%	2.8%	4.3%	4.5%
81.6%	79.5%	81.6%	Historical COGS as a % of Rev							
18.4%	20.5%	18.4%	Historical Gross Profit Margin							
\$0	\$0	\$0	Historical Adj to COGS (in \$)							
81.6%	79.5%	81.6%	Going-forward COGS as a % of Rev		79.7%	80.4%	77.9%	78.5%	78.6%	78.6%
18.4%	20.5%	18.4%	Going-forward Gross Profit margin		20.3%	19.6%	22.1%	21.5%	21.4%	21.4%
10.2%	10.9%	10.4%	Historical SGA as a % of Rev (b4 Depr)							
\$0	\$0	\$0	Historical Adj to SGA (in \$)		11.0%	11.1%	10.7%	10.6%	10.3%	10.1%
10.2%	10.9%	10.4%	Going-forward SGA % of Rev. (b4 Depr)		39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
33.6%	36.4%	37.7%	Tax Rate		\$2,802	\$3,122	\$3,363	\$3,637	\$3,912	\$3,912
\$2,998	\$3,187	\$4,700	Total Depr. (from schedule or input)		\$ 1,065	\$ 1,065	\$ 1,057	\$ 1,057	\$ 1,057	\$ 1,057
\$0	\$0	\$0	Amortization							
			Avg Depreciable Life (Future)		10 Years		Avg Depreciable Life (Hist)	10 Years		
Balance Sheet Assumptions										
\$600	\$3,341	\$6,330	Cash							
7.8	5.7	5.8	Avg A/R Turns (Sales/Avg A/R)		5.6	5.5	5.6	5.6	5.7	5.7
5.0	6.7	5.2	A/R Turnover (Sales/A/R)		5.5	5.6	5.6	5.5	5.5	5.5
3.5	3.6	3.8	Avg Inventory Turns (COGS/Avg Inv)		4.2	4.2	4.2	4.3	4.3	4.3
3.7	3.7	3.9	Inventory Turns (COGS/Inv)		4.2	4.2	4.2	4.2	4.2	4.2
0.1%	0.8%	0.9%	Other CA		Fixed at LTM \$ amount					
\$3,274	\$5,074	\$4,129	Capital Expenditures		\$4,590	\$4,582	\$4,594	\$4,572	\$4,611	\$4,611
OK	OK	OK	Error Message for CapEx		The Historical CapEx is calcd based on "Total Depr (from COGS & SGA detail)" also					
3.7%	5.8%	4.7%	Cap Ex as a % of Revenues		4.8%	4.9%	4.8%	4.6%	4.5%	4.3%
0.3	0.3	0.3	Fixed Assets/Rev.		0.3	0.3	0.3	0.3	0.3	0.3
\$0	\$0	\$0	Investments & Advances - Eq. Method		Fixed at LTM \$ amount					
\$0	\$0	\$0	Investments & Advances - Other		Fixed at LTM \$ amount					
\$4,820	\$4,619	\$10,373	Intangibles		Fixed at LTM \$ amount					
\$7,259	\$6,443	\$6,235	Deferred Charges		Fixed at LTM \$ amount					
\$11,004	\$10,463	\$9,837	Other Assets		Fixed at LTM \$ amount					
11.8	13.9	13.1	Avg. A/P Turns (COGS/Avg A/P)		12.8	14.0	13.8	13.9	14.0	14.1
13.4	15.2	11.3	A/P Turns (COGS/AP)		13.8	14.1	13.7	13.5	13.8	13.8
\$864	\$0	\$369	Income Taxes Payable		25% of Current Years Taxes (default), or can change to \$0 or keep constant					
\$7,696	\$8,333	\$9,355	Other Current Liabilities		Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets					
\$31,163	\$32,119	\$33,010	Other Liabilities		Fixed at LTM \$ amount (default), or can change to % of Sales or % of Total Assets					
\$0	\$0	\$0	Deferred Taxes		Fixed at LTM \$ amount					
\$2,079	\$1,278	\$0	Minority Interest		Fixed at LTM \$ amount					
1.9	2.0	1.8	Current Ratio		1.8	1.9	1.9	2.5	3.4	4.1
2.7	2.8	2.6	Current Ratio (excl. Cur. Debt)		2.7	2.8	2.9	3.0	3.4	4.1
\$11,088	\$16,688	\$17,438	Pfd, Common, & Capital Surplus		Fixed at LTM \$ amount					
			Retained Earnings		Last Year (not LTM) + NT of Current year					
Valuation Assumptions										
			Perpetuity Growth Rate		4.5%		LTM Inflation	4.0%		Implied Real Growth
			Discount Rate		13.6%		WACC or APV?	APV		
			% of 1st Year's CF to include		100%		DLOM	5.0%		Trar
			Pre-Transaction Debt		\$29,519		Minority Discount	0.0%		Trans Costs Amortiz
\$22,847	\$15,207	\$29,519								% of Trans Co
			Pre-Trans. MC Value							
			Pre-Trans. Equity Value							
					\$55,978					
					\$30,680					

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National Forge Company Holdings, Incorporated

		12 Months					Projected Performance		
Jun-97	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04		
BALANCE SHEET									
ASSETS									
Cash & Short Term Investments	\$6,330	\$3,957	\$4,031	\$4,364	\$3,532	\$8,142	\$16,666		
Restricted Escrow	\$182	901	1,622	2,342	3,063	3,784	4,505		
Accounts Receivable	13,189	17,176	16,852	17,281	17,828	18,630	19,468		
Inventory	18,979	17,987	18,024	17,803	18,463	19,320	20,189		
Other Current Assets	703	677	663	655	673	666	666		
Total Current Assets	\$36,212	\$40,698	\$41,192	\$42,445	\$43,559	\$50,542	\$61,495		
Property, Plant & Equipment - Net	\$25,559	\$29,545	\$31,005	\$32,236	\$33,171	\$33,870	\$34,569		
Investments & Advances - Eq. Method	0	0	0	0	0	0	0		
Investments & Advances - Other	0	0	0	0	0	0	0		
Intangibles	4,619	9,808	9,257	8,706	8,156	7,605	7,054		
Deferred Charges	6,443	6,235	0	0	0	0	0		
Other Assets	10,463	9,742	9,430	9,150	8,891	8,656	8,656		
Total Assets	\$83,296	\$89,793	\$90,884	\$92,537	\$93,777	\$100,673	\$111,774		
LIABILITIES									
Debt in Current Liabilities	\$7,249	\$7,789	\$6,425	\$7,225	\$2,684	\$54	\$0		
Accounts Payable	6,363	5,467	5,354	5,452	5,736	5,878	6,143		
Income Taxes Payable	369	900	700	450	100	100	100		
Other Current Liabilities	8,333	9,355	8,749	8,752	8,757	8,753	8,753		
Total Current Liabilities	\$18,568	\$22,626	\$21,228	\$21,879	\$17,277	\$14,785	\$14,996		
Post Retirement Health Benefit Obligations	32,119	33,029	33,828	34,586	33,298	35,954	35,954		
Total Long Term Debt	9,561	21,819	15,394	8,168	5,484	5,430	5,430		
Deferred Taxes	0	0	0	0	0	0	0		
Post Retirement Pension Obligations	1,278	363	213	63	0	0	0		
Total Liabilities	\$61,526	\$77,838	\$70,663	\$66,697	\$58,059	\$56,169	\$56,380		
Preferred Stock	\$0	0	0	0	0	0	\$0		
Common Stock	5	8	9	9	9	9	9		
Capital Surplus	13,185	22,978	28,237	29,737	31,237	32,737	32,737		
Retained Earnings	5,282	1,333	641	8,576	16,885	26,307	37,198		
Less Treasury Stock, Contra Equity	(200)	(7,742)	(8,666)	(10,482)	(12,414)	(14,549)	(14,549)		
Total Equities	\$21,770	\$11,955	\$20,221	\$27,840	\$35,717	\$44,504	\$55,395		
Total Liabilities & Equities	\$83,296	\$89,793	\$90,884	\$92,537	\$93,777	\$100,673	\$111,774		

National Forge Company Holdings, Incorporated

INCOME STATEMENT					12 Months				Projected Performance			
Jun-96	Jun-97	Jun-98		Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04			
					</							

National Forge Company Holdings, Incorporated

Projected Performance

	12 Months				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-04
CASH STATEMENT BY ACTIVITY					
<i>Operating Activity</i>					
Working Capital (Uses)					
Deer (Incr) in Acct. Rec.	(\$289)	\$324	(\$429)	(\$547)	(\$802)
Deer (Incr) in Escrow	(719)	(721)	(720)	(721)	(721)
Deer (Incr) in Inventory	389	(37)	221	(660)	(857)
Deer (Incr) in Other CA	100	14	8	(18)	7
Deer (Incr) in Invest./Advances-Equity	0	0	0	0	0
(Deer) Incr in Invest and Goodwill	(565)	(551)	(551)	(550)	(551)
Deer (Incr) in Deferred Charges	6,235	0	0	0	0
Deer (Incr) in Other LT Assets	95	312	280	259	235
Incr (Deer) in Acct. Payable	(896)	(113)	98	284	142
Incr (Deer) in Taxes Payable	531	(200)	(250)	(350)	0
Incr (Deer) in Other Current Liab.	(885)	279	3	5	(4)
Pension Liability Increase	382	(649)	608	649	656
Other	37	37	45	43	45
Total WC (Uses)	\$4,415	(\$7)	(\$687)	(\$1,606)	(\$1,850)
Net Income (Loss)	(\$4,622)	\$3,930	\$7,935	\$8,309	\$9,421
Depreciation & Amort.	3,867	4,187	4,420	4,694	4,969
Net Cash From Operations	\$3,660	\$8,110	\$11,668	\$11,397	\$12,540
					\$13,190
<i>Investment Activity</i>					
Less Capital Expenditures	(4,590)	(4,582)	(4,594)	(4,572)	(4,611)
<i>Financing Activities</i>					
Less Purchase of Treasury Stock (ESOP R)	(7,109)	(924)	(1,816)	(1,932)	(2,135)
Less Purchase Com. & Pref. Stock	5,548	5,260	1,500	1,500	1,500
Less Cash Dividends	0	0	0	0	0
Long-Term Debt Issuance	(451)	(6,425)	(7,225)	(2,684)	(54)
Current Debt Change	540	(1,364)	800	(4,541)	(2,630)
Other Financial Activity Cash Sources (Uses)	28	0	0	0	0
Net Cash Incr (Deer) from Financing	(\$1,443)	(\$3,453)	(\$6,741)	(\$7,657)	(\$3,319)
					(\$54)
Cash and Equiv. Incr (Deer)	(2,373)	75	332	(832)	4,610
Change in Cash Balances	(2,373)	75	332	(832)	4,610
					8,525

National Forge Company Holdings, Incorporated

Projected Performance

	12 Months				Residual
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
CASH FLOWS					
Operating Income	\$8,186	\$7,370	\$10,386	\$10,260	\$10,847
Plus ESOP Contrib. incl. as Op. Exp.	5,545	5,259	1,500	1,500	1,500
Op. Inc. + ESOP Contrib.	\$13,731	\$12,629	\$11,886	\$11,760	\$12,347
Less Taxes on Op. Inc. + ESOP Contrib.	(5,355)	(4,925)	(4,636)	(4,586)	(4,815)
Plus Depreciation & Amortization	3,867	4,187	4,420	4,694	4,969
LIFO charge Add-back	0	0	0	0	0
Working Capital (Uses) - C-Corp	(3,402)	(1,142)	152	(637)	(1,191)
Less Capital Expenditures	(4,590)	(4,590)	(4,594)	(4,572)	(4,611)
Net Cash Flow	\$4,251	\$6,167	\$7,228	\$6,659	\$6,699
% of CF realized after 06/30/98	100%	100%	100%	100%	100%
Cash Flow Applied to NPV	\$4,251	\$6,167	\$7,228	\$6,659	\$6,699
RESIDUAL VALUE					
Residual Value, assuming 4.5% long term growth of cash flows			Implied EBIT Multiple 5.0		CapFactor
UNLEVERAGED FIRM VALUE					
Unlev. Operating Free Cash Flow	\$4,251	\$6,167	\$7,228	\$6,659	\$6,699
Residual Value	\$9,317	61,192	62,261	64,043	66,028
Total Cash Flows	\$63,568	\$67,359	\$69,489	\$70,702	\$72,726
Unleveraged Cost of Equity	13.6%	13.6%	13.6%	13.6%	13.6%
Unleveraged Firm Value (Jun-98)	\$55,978	\$59,317	\$61,192	\$62,261	\$64,043
TAX SHIELD VALUE FROM DEBT & ESOP IN CAPITAL STRUCTURE					
Pretax Income	(\$4,177)	\$4,177	\$8,388	\$8,907	\$10,147
Pre-Transaction ESOP Principal	5,545	5,259	1,500	1,500	1,500
Interest Expense	3,099	2,550	1,844	1,238	624
Pretax Unleveraged Income	\$4,467	\$11,986	\$11,732	\$11,645	\$12,271
Pretax Income (Leveraged)	(4,177)	4,177	8,388	8,907	10,147
Tax on Unleveraged Pretax Income	\$1,742	\$4,675	\$4,575	\$4,542	\$4,786
Tax on Leveraged Pretax Income	(1,629)	1,629	3,271	3,474	3,958
Tax Savings due to Interest + ESOP	\$3,371	\$3,046	\$1,304	\$1,068	\$828
NPV of Tax Shield (13.6% rate)	\$7,376	4,920	2,542	1,582	729

National Forge Company Holdings, Incorporated

SUMMARY	Projected Performance			
	Jun-98	Jun-99	Jun-00	Jun-01
Unleveraged Firm Value	\$55,978	\$59,317	\$61,192	\$62,261
PV of Interest & ESOP Tax Shield	7,376	4,920	2,542	1,582
PV Mitchell NOL, Unlevered	175	0	0	0
Market Capital Value	\$63,529	\$64,237	\$63,734	\$63,843
Less: Capital Debt + Buyout Debt	(\$35,398)	(\$29,609)	(\$21,819)	(\$15,394)
Less: Tax Adjusted SAR Value	(\$696)	(\$831)	(\$952)	(\$1,205)
Plus: Excess Cash post Buyout	\$4,853	\$3,707	\$3,781	\$4,114
Total Mkt. Control Equity Value	\$32,290	\$37,500	\$44,740	\$51,360
Marketability Discount (5.0%)	(1,610)	(1,880)	(2,240)	(2,570)
Control Equity Value	\$30,680	\$35,620	\$42,500	\$48,790
(after Marketability Discount)				
Shares Outstanding	620	620	620	620
Per Share Value	49.51	57.48	68.59	78.74
				89.97

National Forge Company Holdings Incorporated

Projected Performance

	12 Months			
	Jun-99	Jun-00	Jun-01	Jun-02
DEBT AMORTIZATION				
Total Debt	\$29,519			
Sum of Debt below	\$35,398			
NF Europe				
Beginning Balance	\$5,430	\$5,430	\$5,430	\$5,430
Principal Payment (Borrowing)	0	0	0	0
Interest Payment	405	474	458	425
Ending balance	5,430	5,430	5,430	5,430
Total P&I	\$495	\$474	\$458	\$425
Chase Term Loan				
Beginning Balance	\$21,411	\$16,846	\$10,459	\$5,585
Principal Payment (Borrowing)	4,565	6,387	4,874	5,060
Prepayment	0	0	0	0
Interest Payment	1,820	1,432	889	475
Ending balance	16,846	10,459	5,585	525
Total P&I	\$6,385	\$7,819	\$5,763	\$5,535
MELF Pipeline & Cap Lease				
Beginning Balance	\$460	\$267	\$182	\$93
Principal Payment (Borrowing)	193	85	89	93
Prepayment	0	0	0	0
Interest Payment	17	10	6	2
Ending balance	267	182	93	0
Total P&I	\$210	\$95	\$95	\$0
Buyout Loan				
Beginning Balance	\$5,882	\$4,706	\$3,529	\$2,353
Principal Payment (Borrowing)	1,176	1,176	1,176	1,176
Prepayment	0	0	0	0
Interest Payment	561	436	312	187
Ending balance	4,706	3,529	2,353	1,176
Total P&I	\$1,738	\$1,613	\$1,488	\$1,363
MS Overdraft Reserve				
Beginning Balance	\$705	\$555	\$152	\$149
Principal Payment (Borrowing)	150	403	3	75
Prepayment	0	0	0	0
Interest Payment	44	25	11	8
Ending balance	555	152	149	74
Total P&I	\$194	\$428	\$14	\$83

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